

TEXAS HIGHER EDUCATION COORDINATING BOARD

**COMMITTEE ON AFFORDABILITY, ACCOUNTABILITY
AND PLANNING**

1200 EAST ANDERSON LANE, ROOM 1.170
AUSTIN, TEXAS
March 21, 2018
9 a.m.

CHAIR
S. Javaid Anwar

VICE CHAIR
Arcilia C. Acosta

Vacant
Vacant
Andrias R. "Annie" Jones
Student Representative, Ex-Officio
Stuart W. Stedman, Ex-Officio

AGENDA

PUBLIC TESTIMONY: The presiding chair shall designate whether public testimony will be taken at the beginning of the meeting, at the time the related item is taken up by the Board after staff has presented the item, or any other time as determined by the presiding chair. For procedures on testifying, please go to <http://www.thecb.state.tx.us/public-testimony>.

- I. Welcome and Committee Chair's meeting overview
- II. Consideration of approval of the minutes from the December 13, 2017, meeting of the Committee on Affordability, Accountability and Planning
- III. Consideration of approval of the Consent Calendar
- IV. Public Testimony on Agenda Items Relating to the Committee on Affordability, Accountability and Planning
- V. Matters relating to the Committee on Affordability, Accountability and Planning
 - A. Consideration of adopting the Commissioner's recommendation to the Committee relating to funding formulas for use by the Governor and the Legislative Budget Board in making appropriations recommendations to the appropriate Legislative Committees
 - B. Consideration of adopting the staff recommendation to the Committee relating to the annual report about the financial condition of the state's community college districts (*General Appropriations Act, Senate Bill 1, 85th Texas Legislature, Regular Session, Rider 12, III-216*)
 - C. Report on data highlight: Educated Population: National and International Comparisons
 - D. Report on Pilot Study of Community College Financial Reporting by campus (*Senate Bill 719, 85th Texas Legislature, Regular Session*)
 - E. Report on facilities projects that were submitted to the Coordinating Board
 - F. Consideration of adopting the staff recommendations relating to the Coordinating Board's Legislative Priorities for the 86th Texas Legislature

Note: Highlighted items in gray are on the Consent Calendar

G. Consideration of adopting the staff recommendation to the Board relating to the approval of the Energy Savings Performance Contract for Texas A&M International University

H. Proposed Rules:

- (1) Consideration of adopting the Commissioner's recommendation to the Committee relating to the proposed additions to Chapter 21, new Subchapter C, Sections 21.45 – 21.49 of Board rules, concerning student indebtedness (*Senate Bill 887, 85th Texas Legislature, Regular Session*)
- (2) Consideration of adopting the Commissioner's recommendation to the Committee relating to proposed amendments to Chapter 22, Subchapter I, Sections 22.164, 22.166 and 22.169-22.171 of Board rules, concerning the Provisions for the Texas Armed Services Scholarship Program (TASSP) (*House Bill 66, 85th Texas Legislature, Regular Session*)

VI. Adjournment

NOTE: The Board will not consider or act upon any item before the Committee on Affordability, Accountability and Planning at this meeting. This meeting is not a regular meeting of the full Board. Because the Board members who attend the committee meeting may create a quorum of the full Board, the meeting of the Committee on Affordability, Accountability and Planning is also being posted as a meeting of the full Board.

Texas Penal Code Section 46.035(c) states: "A license holder commits an offense if the license holder intentionally, knowingly, or recklessly carries a handgun under the authority of Subchapter H, Chapter 411, Government Code, regardless of whether the handgun is concealed or carried in a shoulder or belt holster, in the room or rooms where a meeting of a governmental entity is held and if the meeting is an open meeting subject to Chapter 551, Government Code, and the entity provided notice as required by that chapter." Thus, no person can carry a handgun and enter the room or rooms where a meeting of the THECB is held if the meeting is an open meeting subject to Chapter 551, Government Code.

Please Note that this governmental meeting is, in the opinion of counsel representing THECB, an open meeting subject to Chapter 551, Government Code and THECB is providing notice of this meeting as required by Chapter 551. In addition, ***please note*** that the written communication required by Texas Penal Code Sections 30.06 and 30.07, prohibiting both concealed and open carry of handguns by Government Code Chapter 411 licensees, will be posted at the entrances to this governmental meeting.

Committee on Affordability, Accountability and Planning

AGENDA ITEM I

Welcome and Committee Chair's meeting overview

Mr. S. Javaid Anwar, Chair of the Committee on Affordability, Accountability and Planning, will provide the Committee an overview of the items on the agenda.

Committee on Affordability, Accountability and Planning

AGENDA ITEM II

Consideration of approval of the minutes from the December 13, 2017, meeting of the Committee on Affordability, Accountability and Planning

RECOMMENDATION: Approval

TEXAS HIGHER EDUCATION COORDINATING BOARD

MINUTES

Committee on Affordability, Accountability and Planning

1200 East Anderson Lane, Room 1.170

Austin, Texas

December 13, 2017, 9:00 a.m.

DRAFT Minutes

The Texas Higher Education Coordinating Board Committee on Affordability, Accountability and Planning convened at 9:00 a.m. on *December 13, 2017*, with the following members present: S. Javaid Anwar, Chair, presiding; Janelle Shepard; Stuart W. Stedman; Andrias R. "Annie" Jones, Student Representative, Ex-Officio; and Robert "Bobby" Jenkins, Jr., Ex-Officio. Arcilia C. Acosta, Vice Chair, was not in attendance.

The meeting is available at the following link: <http://www.thecb.state.tx.us/apps/Events/>

AGENDA ITEM	ACTION
I. Welcome and Committee Chair's meeting overview	Mr. S. Javaid Anwar called the meeting to order and advised that the meeting was being broadcast over the internet.
II. Consideration of approval of the minutes from the September 27, 2017, Committee meeting	On motion by Mr. Stuart W. Stedman, seconded by Ms. Janelle Shepard, the Committee approved this item.
III. Consideration of approval of the Consent Calendar	Mr. S. Javaid Anwar stated the following items were on the Consent Calendar for consideration: Agenda Items V-G (4) through V-G (9) of the proposed rules. On motion by Ms. Janelle Shepard, seconded by Mr. Stuart W. Stedman, the Committee approved the Consent Calendar.
IV. Public Testimony on Agenda Items Relating to the Committee on Affordability, Accountability and Planning	Mr. S. Javaid Anwar stated there was no public testimony.

V. Matters relating to the Committee on Affordability, Accountability and Planning

A. Report on Data Highlight: *60x30TX* completion targets concerning high school to college enrollments and male completion

Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding, provided a presentation on both of the completion targets and was available for questions.

No action required on this item.

B. Consideration of adopting the staff recommendation to the Committee relating to the approval of additional revised measures for the Texas Higher Education Accountability System

Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding, provided a presentation on the process to update the measures. She then presented the staff recommendation for final measures and was available to answer questions.

On motion by Ms. Janelle Shepard, seconded by Mr. Stuart W. Stedman, the Committee approved this item.

C. Report on Space Usage Efficiency (SUE)

Mr. Tom Keaton, Director of Funding and Resource Planning, Strategic Planning and Funding, provided a brief presentation and was available for questions.

No action required on this item.

D. Report on facilities projects that were submitted to the Coordinating Board

Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding, was available to answer questions.

No action required on this item.

E. Report on Financial Aid Advisory Committee activities

Delisa Falks, Executive Director for Scholarships and Financial Aid at Texas A&M University, and Chair of the Financial Aid Advisory Committee, presented a summary of the committee's recent activities and was available to answer questions.

F. Report on Financial Literacy Advisory Committee activities

Co-Chairs Ms. Laura Ewing and Dr. Jared Pickens, and Dr. Charles W. Puls, Deputy Assistant Commissioner for Student Financial Aid Programs, presented a summary of the Financial Literacy Advisory Committee's recent activities. Dr. Jared Pickens was unable to attend. Ms. Ewing and Dr. Puls provided the presentation and were available to answer questions.

No action required on this item.

G. Proposed Rules

- (1) Consideration of adopting the Commissioner's recommendation to the Committee relating to amendments to Chapter 13, Subchapter F, Section 13.101 of Board rules, concerning authority (*General Appropriations Act, Senate Bill 1, Article III, Section 40, 85th Legislature, Regular Session*)
- (2) Consideration of adopting the Commissioner's recommendation to the Committee relating to proposed amendments to Chapter 4, Subchapter A, Section 4.10 of Board rules, concerning limitations on the number of courses that may be dropped under certain circumstances by undergraduate students (*Senate Bill 1782, 85th Texas Legislature, Regular Session*)
- (3) Consideration of adopting the Commissioner's recommendation to the Committee relating to proposed amendments to Chapter 13, Subchapter F, Sections 13.104 and 13.105 of Board rules, concerning exemptions for excess hours and limitation on formula funding for repeated hours for attempted courses (*Senate Bill 1782, 85th Texas Legislature, Regular Session*)
- (4) Consideration of adopting the Commissioner's recommendation to the Committee relating to proposed repeal of Chapter 21, Subchapter A, Section 21.6 of Board rules, concerning student compliance with selective service registration
- (5) Consideration of adopting the Commissioner's recommendation to the Committee relating to proposed amendments to Chapter 21, Subchapter A, Section 21.10 of Board rules, concerning priority deadline for applying for state aid

Dr. Julie Eklund, Assistant Commissioner, Strategic Planning and Funding, was available to answer questions.

On motion by Mr. Stuart W. Stedman, seconded by Ms. Janelle Shepard, the Committee approved this item.

Dr. Julie Eklund, Assistant Commissioner, Strategic Planning and Funding, provided a brief update and was available to answer questions.

On motion by Mr. Stuart W. Stedman, seconded by Ms. Janelle Shepard, the Committee approved this item.

Dr. Julie Eklund, Assistant Commissioner, Strategic Planning and Funding, was available to answer questions.

On motion by Mr. Stuart W. Stedman, seconded by Ms. Janelle Shepard, the Committee approved this item.

This item was on the Consent Calendar.

This item was on the Consent Calendar.

(6) Consideration of adopting the Commissioner's recommendation to the Committee relating to proposed amendments to Chapter 22, Subchapter A, new Section 22.3 of Board rules, concerning student compliance with selective service registration, and new Section 22.4 of Board rules, concerning records retention

This item was on the Consent Calendar.

(7) Consideration of adopting the Commissioner's recommendation to the Committee relating to proposed repeal of Chapter 22, Subchapter F, Section 22.117 of Board rules, concerning matching scholarships to retain students in Texas (*Senate Bill 1179, 82nd Texas Legislature, Regular Session, Texas Education Code, Subsection (c), Section 61.087*)

This item was on the Consent Calendar.

(8) Consideration of adopting the Commissioner's recommendation to the Committee relating to proposed amendments to Chapter 22, Subchapter M, Sections 22.254, 22.256-22.257, 22.260, and 22.262 of Board rules, concerning the Texas Educational Opportunity Grant Program

This item was on the Consent Calendar.

(9) Consideration of adopting the Commissioner's recommendation to the Committee relating to proposed amendments to Chapter 23, Subchapter D, Sections 23.95, 23.97, and 23.100 (2) of Board rules, concerning the Loan Repayment Program for Mental Health Professionals (MHLRP) (*House Bill (HB) 3083 and HB 3808, 85th Texas Legislature, Regular Session*)

This item was on the Consent Calendar

VII. Adjournment

The meeting adjourned at 10:50 a.m.

Committee on Affordability, Accountability and Planning

AGENDA ITEM III

Consideration of approval of the Consent Calendar

RECOMMENDATION: Approval

Background Information:

In order to save institutions time and travel costs to attend the Committee on Affordability, Accountability and Planning meetings in Austin, the Committee has a Consent Calendar for items that are noncontroversial. Any item can be removed from the Consent Calendar by a Committee member.

AGENDA ITEM III

Consent Calendar

No items on Consent.

Committee on Affordability, Accountability and Planning

AGENDA ITEM IV

Public Testimony on Agenda Items Relating to the Committee on Affordability, Accountability and Planning

RECOMMENDATION: No action required

Background Information:

PUBLIC TESTIMONY: The presiding chair shall designate whether public testimony will be taken at the beginning of the meeting, at the time the related item is taken up by the Board after staff has presented the item, or at any other time as determined by the presiding chair.

Committee on Affordability, Accountability and Planning

AGENDA ITEM V-A

Consideration of adopting the Commissioner's recommendation to the Committee relating to funding formulas for use by the Governor and the Legislative Budget Board in making appropriations recommendations to the appropriate Legislative Committees

RECOMMENDATION: Approval

Background Information:

Every two years the Coordinating Board is required to make recommendations to the Governor and Legislative Budget Board regarding formula funding appropriations for public higher education institutions in Texas. These recommendations must be provided by June 1, 2018. Staff will present an overview of each funding methodology.

1. Consideration of funding formulas for two-year community colleges and state colleges
 - Commissioner Recommendations
 - Differences between Commissioner and Committee Recommendations

2. Consideration of funding formulas for Texas State Technical Colleges
 - Commissioner Recommendations
 - Differences between Commissioner and Committee Recommendations

3. Consideration of funding formulas for general academic institutions
 - Commissioner Recommendations
 - Differences between Commissioner and Committee Recommendations

4. Consideration of funding formulas for health-related institutions
 - Commissioner Recommendations
 - Differences between Commissioner and Committee Recommendations

Formula Advisory Committee members will present their recommendations to the Committee.

Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding, and Mr. David Young, Senior Director of Funding, Strategic Planning and Funding, will present the Commissioner's recommendations and be available to answer questions.

Committee on Affordability, Accountability and Planning

AGENDA ITEM V-B

Consideration of adopting the staff recommendation to the Committee relating to the annual report about the financial condition of the state's community college districts (*General Appropriations Act, Senate Bill 1, 85th Texas Legislature, Regular Session, Rider 12, III-216*)

RECOMMENDATION: Approval

Background:

An annual report about the financial condition of the state's community colleges is required as referenced in the General Appropriations Act, Senate Bill 1, 85th Texas Legislature, Rider 12 (page III-216). The rider states:

"Each community college shall provide to the Texas Higher Education Coordinating Board financial data related to the operation of each community college using the specific content and format prescribed by the Coordinating Board. Each community college shall provide the report no later than January 1st of each year. The Coordinating Board shall provide an annual report due on May 1 to the Legislative Budget Board and Governor's Office about the financial condition of the state's community college districts."

The objective of this report is to provide an assessment of the overall financial health of public community colleges and to identify institutions in which the potential for financial stress exists. The analysis included is intended to be a broad financial evaluation. Other key performance indicators must be taken into account to gain a more robust and complete understanding of institutional strength. This analysis is not intended for peer group comparisons or for benchmarking purposes.

A draft report was provided to the community colleges, with a response due by March 2, 2018. No comments were received from community colleges. A draft report will be sent under separate cover.

Dr. Julie Eklund, Assistant Commissioner, Strategic Planning and Funding, is available to answer questions.

Committee on Affordability, Accountability and Planning

AGENDA ITEM V-C

Report on data highlight: Educated Population: National and International Comparisons

RECOMMENDATION: No action required

Background Information:

The 60x30 Educated Population Goal is a cornerstone of the state's *60x30TX* higher education plan. To reach the goal, by 2030, at least 60 percent of Texans ages 25-34 must hold a postsecondary degree or certificate. Increasing the educational level of the young adult population will help Texas become more nationally and globally competitive. This presentation will provide updated data on how Texas compares to other states and nations for this important measure.

Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding, will present this item and be available to answer questions.

Committee on Affordability, Accountability and Planning

AGENDA ITEM V-D

Report on Pilot Study of Community College Financial Reporting by campus (*Senate Bill 719, 85th Legislature, Regular Session*)

RECOMMENDATION: No action required

Background Information:

Senate Bill 719, 85th Legislature, Regular Session, requires the Coordinating Board, in consultation with public junior college districts, to identify five community college districts representative of all the public community college districts with two selected from among the largest community college districts, and representative as well of the geographic diversity of this state for the purpose of implementing a pilot program to develop and recommend minimum reporting language for financial and instructional cost information, including information relating to instruction of persons with intellectual and developmental disabilities. In identifying the five community college districts, Board staff collaborated with the Texas Association of Community Colleges (TACC). In consultation with the Legislative Budget Board, the community college districts participating in the program shall study best practices for the reporting of revenue and costs allocated across the districts and the practicability of disaggregating financial and instructional cost information by instructional site within a community college district.

Five colleges have been identified for the pilot study. The study will identify the best approaches for campus and/or instructional site-specific financial reporting. The Coordinating Board and the participating community college districts will report the results of the study to the LBB by June 1, 2018, including the best practices in reporting, methodologies in reporting, and a template for reporting.

Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding, will present this item and will be available to answer questions.

Committee on Affordability, Accountability and Planning

AGENDA ITEM V-E

Report on facilities projects that were submitted to the Coordinating Board

RECOMMENDATION: No action required

Background Information:

Senate Bill 215, 83rd Texas Legislature, Regular Session, shifted the authority to approve capital projects from the Texas Higher Education Coordinating Board (THECB) to the Boards of Regents. However, it requires that institutions continue to report projects to the Board and that THECB staff continue to review facilities projects. Additional information is provided for projects that do not meet one or more standards. The Board must submit a report to the governor, lieutenant governor, speaker of the house, and Legislative Budget Board on all projects that do not meet standards.

Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding, will present this item and will be available to answer questions.

Reviewed Projects

Institution Project Name	Project Cost	Standard Met Yes/No			
		Space Usage	Space Need	Cost	Building Efficiency
The University of Texas Medical Branch at Galveston <i>Renovate John Sealy Hospital Modernization II and Facade</i>	\$136,300,000	NA ¹	Yes	No	Yes
Texas A&M Health Science Center (TRB) <i>Construct Medical Research and Education Building 2</i>	\$103,800,000	NA ¹	Yes	Yes	Yes
Texas A&M University Engineering Experiment Station <i>Construct Center for Infrastructure Renewal</i>	\$80,851,000	NA ¹	Yes	Yes	Yes
Texas A&M International University <i>Renovate Energy Savings Performance Contract</i>	\$9,777,563	NA	Yes	NA	NA
The University of Texas Rio Grande Valley <i>Purchase Burger King Property</i>	\$1,250,000	NA ²	Yes	Yes	NA ²
The University of Texas Rio Grande Valley <i>Purchase Former Army Reserve Property</i>	\$1,110,000	NA ²	Yes	Yes	NA ²

¹ The standard for Space Usage Efficiency is not calculated for health-related institutions or agencies of the Texas A&M University System.

² Space Usage and Building Efficiency are not applicable to improved property purchases.

Project Type	Space Usage	Space Need	Cost	Building Efficiency
New Construction and Addition	Space Usage Efficiency (SUE) score of: <ul style="list-style-type: none"> • 75 points in the classroom score for classroom type facilities • 75 points in the class laboratory score for lab type facilities • 150 points overall for all others 	Does not create nor add to a surplus as predicted in the space projection model	Does not exceed the annually published cost standard	The ratio of net assignable square feet (NASF) to gross square feet (GSF) shall not exceed: <ul style="list-style-type: none"> • Classroom and general – 0.60 • Office – 0.65 • Clinical, diagnostic support labs, and technical research – 0.50 For parking structures: <ul style="list-style-type: none"> • Automobile – 400 SF per space • Boathouses – 500 SF per space • Airplanes – 3,000 SF per space
Repair and Renovation (including repairs and renovations as part of a real property purchase)	Not applicable	Does not create nor add to a surplus as predicted in the space projection model	Does not exceed the annually published cost standard	Does not reduce existing ratio of NASF to GSF more than ten percent
Real Property Purchases	Not applicable	Does not create nor add to a surplus as predicted in the space projection model	Should not exceed the higher of two appraisals. If the cost exceeds this amount, institution must demonstrate the need to purchase at the higher price	Not applicable

Committee on Affordability, Accountability and Planning

AGENDA ITEM V-F

Consideration of adopting the staff recommendations relating to the Coordinating Board's Legislative Priorities for the 86th Texas Legislature

RECOMMENDATION: Approval

Background Information:

The 86th Texas Legislature will convene on January 9, 2018. This will be the second Texas legislative session held during the timeframe of *60x30TX*, and the actions taken by this Legislature will be crucial for making progress toward achieving its long-range goals.

Based on the Board's initial direction, the External Relations staff has been working with stakeholders to develop and refine higher education policy recommendations for consideration by the next Legislature. The Board will consider these final recommendations, which if adopted, will be discussed with legislative and statewide officeholders in advance of the 86th Legislature.

Mr. John Wyatt, Director for External Relations, will provide an overview of the staff legislative recommendations and be available to answer questions.

Committee on Affordability, Accountability and Planning

AGENDA ITEM V-G

Consideration of adopting the staff recommendation to the Board relating to the approval of the Energy Savings Performance Contract for Texas A&M International University

RECOMMENDATION: Approval

Background Information:

Texas A&M International University requested approval for an Energy Savings Performance Contract with a total project cost of \$9,777,563 and a contract term of 20 years. This project meets all standards pertaining to Energy Savings Performance Contracts.

The Texas Higher Education Coordinating Board (THECB) is responsible for reviewing capital development projects and improved real property purchases but does not have approval authority for those projects. The THECB is, however, responsible for approving Energy Savings Performance Contracts. Recent changes to Board rules delegates the approval authority for these contracts to either the Assistant Commissioner for Strategic Planning and Funding; the Committee on Affordability, Accountability and Planning; or the full Board, based on the parameters specified in Chapter 17, Subchapter B, Section 17.12 of Board rules, which concern delegation of approval authority. Given the cost and the term of this project, the Committee is the approval authority.

Mr. Juan J. Castillo, Vice President for Finance and Administration and Mr. Trevor C. Liddle, Associate Vice President for Administration, Texas A&M International University, will give a brief project presentation and be available to answer questions pertaining to the project.

Dr. Julie Eklund, Assistant Commissioner for Strategic Planning and Funding, will be available to answer questions regarding the review process.

PROJECT BRIEFING SHEET

Institution: Texas A&M International University
 Project: **Renovate Energy Savings Performance Contract**
 5201 University Boulevard, Laredo, TX 78041
 Project Number: 009651-18-001
 Project Cost: **\$9,777,563**
 Source of Funds: Bonds: (Revenue Financing System Bonds, Energy Savings - \$9,056,000)
 Cash: (Other Local Funds - \$721,563)

Project Description:

Texas A&M International University (TAM-International) selected Schneider Electric, an Energy Service Company, as its energy savings performance contractor. Schneider Electric was engaged to perform detailed utility assessment reports and then design and construct recommended energy cost reduction measures on the TAM-International campus. The measures recommended in the report will allow TAM-International to substantially reduce the number of kilowatt hours consumed, increase operating efficiency, modernize aged equipment and processes, and reduce the emissions of greenhouse gases.

Measurement and verification fees over the 20-year term of the contract are included in the cost. The implementation of this project is projected to save 4,080,836 kWh/yr electricity, and 46,606 kGal/yr waste water. The project's total design/construction cost has a projected first-year utility savings of \$502,117.

Standards	Standard	Project Detail	Meets, Doesn't Meet, or NA
Project Listed on the MP1?	YES	1 of 6	NA
Classroom Space Usage Efficiency	75 or >	66	NA
Class Lab Space Usage Efficiency	75 or >	74	NA
Overall Space Usage Efficiency	150 or >	140	NA
Space Need	Deficit	(181,727)	Meets
Cost: Repair & Renovation, Infrastructure	NA	NA	NA
Building Efficiency:	NA	NA	NA
Deferred Maintenance	0.05 or <	0.000	NA
Critical Deferred Maintenance	\$0	0	NA

Approval Action:	Date of Approval	Signature
Committee	March 21, 2018 ¹	
Conditions		
Project History		

¹ See matrix on the following page.

**Delegation Matrix for Energy Savings Performance Contracts
(as outlined in Board Rule 17.12)**

		Payback Period		
		10 years or less	Greater than 10 to 15 years	Greater than 15 to 20 years ¹
Cost	\$10 million or less	Asst. Commissioner for Strategic Planning and Funding	Asst. Commissioner for Strategic Planning and Funding	Committee on Affordability, Accountability and Planning
	Greater than \$10 million to \$20 million	Asst. Commissioner for Strategic Planning and Funding	Committee on Affordability, Accountability and Planning	Committee on Affordability, Accountability and Planning
	Greater than \$20 million	Committee on Affordability, Accountability and Planning	Committee on Affordability, Accountability and Planning	Board of the THECB

Note 1 – ESPC may not exceed 20 years (TEC 51.927).

Committee on Affordability, Accountability and Planning

AGENDA ITEM V-H (1)

Consideration of adopting the Commissioner's recommendation to the Committee relating to the proposed additions to Chapter 21, new Subchapter C, Sections 21.45 – 21.49 of Board rules, concerning student indebtedness (*Senate Bill 887, 85th Texas Legislature, Regular Session*)

RECOMMENDATION: Approval

Background Information:

New Subchapter C, Sections 21.45-21.49 add provisions enacted by Senate Bill (SB) 887, 85th Texas Legislature, Regular Session which provide guidelines and criteria for student debt disclosure letters.

Providing debt disclosures to students was a Coordinating Board legislative recommendation to the 85th Legislature. These proposed rules are aligned with the *60x30TX* student debt goal, as two of the strategies for this goal are related to financial literacy. The purpose of the student debt disclosure letters is to help students become, and remain, informed of their student loan debt.

Staff have worked with financial aid administrators in Texas to develop and vet these rules. For example, staff presented SB 887 to the Texas Association of Financial Aid Administrators and received feedback on clarifications needed in rule. Staff also shared draft rules with the Financial Aid Advisory Committee and received advice on needed improvements. All responses were addressed in the current rules to the best of staff's ability.

Dr. Ginger Gossman, Senior Director, Innovation and Policy Development, will present this item and be available to answer questions.

Date approved by the Commissioner for publication in the *Texas Register*: February 5, 2018.

Date Published in the *Texas Register*: February 16, 2018.

The 30-day comment period with the *Texas Register* will end on March 18, 2018.

If comments are received, staff responses will be provided in supplemental material.

Chapter 21 Student ServicesSubchapter C Student Indebtedness

Sections

21.45. Authority and Purpose.21.46. Student Loan Debt Disclosure Annual Notification; Effective Date.21.47. Definitions.21.48. Student Loan Debt Disclosure Procedure.21.49. Student Loan Debt Disclosure Required Elements.21.45. Authority and Purpose.

(a) Authority. Authority for this section is provided in the Texas Education Code, Chapter 52, Subchapter C. These rules establish procedures to administer the required loan debt disclosure as prescribed in Texas Education Code, §52.335.

(b) Purpose. The purpose of required loan debt disclosure is to provide students with timely information on their education loan debt so they can make informed decisions about their student loan borrowing.

21.46. Student Loan Debt Disclosure Annual Notification; Effective Date.

(a) Overview. At least annually, and in an electronic format, participating higher educational institutions that enroll one or more students receiving state financial aid administered by the Texas Higher Education Coordinating Board and that receive education loan information for a student enrolled at the institution, must provide to that student certain estimates regarding the student's education loan obligations.

(b) Effective Date. These rules are effective beginning with the 2018-2019 academic year.

21.47. Definitions.

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

(1) Participating higher educational institution - a public or private nonprofit institution of higher education, including a junior college, accredited by a recognized accrediting agency as defined by Section 61.003, or a regional education service center or other entity that offers an alternative educator certification program approved by the State Board for Educator Certification, that:

(A) is located in this state, and

(B) complies with the provisions of Texas Education Code Chapter 52 and the rules of the Coordinating Board.

(2) Student - An individual who is currently enrolled as a student at a participating higher educational institution who has a balance on one or more student loans, and whose debt records are obtained by the institution where he or she is enrolled.

(3) Student Loan Debt - Outstanding loans incurred by a student to assist in covering the student's cost of education, for which the participating higher educational institution has a record.

(4) Education Loans - Student loan debt.

21.48. Student Loan Debt Disclosure Procedure.

(1) At least annually, a participating higher educational institution shall provide a student loan debt disclosure, as more fully defined in subsection 21.49 below, to every student who has a balance on one or more student loans, and whose debt records are received by the participating higher educational institution where he or she is enrolled. If the participating higher educational institution has a record of unpaid student loan debt, a disclosure must be provided to that student.

21.49. Student Loan Debt Disclosure Required Elements.

(1) Student loan debt disclosures must be based on information that the participating higher educational institution receives or otherwise obtains from the United States Department of Education's central database for student aid, currently known as the National Student Loan Data System, as well as information that the institution may reasonably collect from its own records.

(2) Student loan debt disclosures must include an estimate of the unpaid amount of state, federal, or other if known to the institution, education loans obtained by the student. The types of education loans must be identified for each total included.

(3) Student loan debt disclosures must include an estimate of the total payoff amount for education loans, or a range for that amount, including principal and interest. At a minimum, institutions shall provide this information based on a 10-year repayment plan.

(4) Student loan debt disclosures must include an estimate of the monthly repayment amount that the student may incur for the repayment of the education loans, including principal and interest. This estimate must use, at a minimum, a 10-year repayment plan.

(5) Student loan debt disclosures must be sent electronically in a manner that complies with the Family Educational Rights and Privacy Act (20 U.S.C. §1232g;

34 CFR Part 99) and the participating higher educational institution's privacy standards.

(6) The electronic communication of the student loan debt must explain that the disclosure may not be a complete and official record of the student's unpaid education loan debt; an explanation of why the disclosure may not be complete or accurate, including an explanation that for a transfer student, the institution's estimates regarding state loans reflect only state loans incurred by the student for attendance at the current institution, and not prior institutions; a statement that the institution's estimates are general in nature and are not intended as a guarantee or promise.

Committee on Affordability, Accountability and Planning

AGENDA ITEM V-H (2)

Consideration of adopting the Commissioner's recommendation to the Committee relating to proposed amendments to Chapter 22, Subchapter I, Sections 22.164, 22.166 and 22.169-22.171 of Board rules, concerning the Provisions for the Texas Armed Services Scholarship Program (TASSP) (House Bill 66, 85th Texas Legislature, Regular Session)

RECOMMENDATION: Approval

Background Information:

The intent of the amendments is to incorporate into existing rules new provisions enacted by House Bill 66, 85th Texas Legislature, Regular Session.

Specifically, the amendments to Section 22.164 add definitions for the terms, "Award" and "Contract to serve," for clarification. The amendment in Section 22.166 (f) allows for the appointment of another eligible student if the initial appointee fails to maintain eligibility for a continuation award. The amendment in Section 22.169 (1) reassigns responsibility for defining satisfactory academic progress (SAP) requirements from the institutions of higher education to the Coordinating Board. Under this provision, a student is required to complete at least 24 semester credit hours in the student's most recent academic year and maintain an overall grade point average of at least 2.5 on a four-point scale or its equivalent, for all coursework attempted. These new provisions take effect September 1, 2018.

The amendments to Section 22.170 (a)(1) and (2) add the section numbers relating to SAP requirements and the written agreement outlining the conditions to which every recipient must agree. The amendment in (b) lists the consequences for recipients who fail to meet the requirements for continued eligibility.

The amendment to Section 22.171(a) adds the section number describing the conditions that must be met for continued award eligibility.

Dr. Charles W. Puls, Deputy Assistant Commissioner for Student Financial Aid Programs, will be available to answer questions.

Date approved by the Commissioner for publication in the *Texas Register*: February 5, 2018.

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The 30-day comment period with the *Texas Register* will end on March 18, 2018.

If comments are received, staff responses will be provided in supplemental material.

CHAPTER 22. STUDENT FINANCIAL AID PROGRAMS
 SUBCHAPTER I. TEXAS ARMED SERVICES SCHOLARSHIP PROGRAM

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22.163. Authority and Purpose.

(a) Authority. Authority for this subchapter is provided in the Texas Education Code, Subchapter FF, Texas Armed Services Scholarship Program. These rules establish procedures to administer the subchapter as prescribed in the Texas Education Code, §§61.9771 - 61.9776.

(b) Purpose. The purpose of the Texas Armed Services Scholarship Program is to encourage students to become members of the Texas Army National Guard, the Texas Air National Guard, the Texas State Guard, the United States Coast Guard, or the United States Merchant Marine, or to become commissioned officers in any branch of the armed services of the United States.

22.164. Definitions.

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

(1) Award – the amount of a scholarship in an academic year, which may be comprised of multiple disbursements.

(2) ~~(1)~~ Board--The Texas Higher Education Coordinating Board.

(3) ~~(2)~~ Institution of Higher Education--As defined in Texas Education Code, §61.003(8), and private or independent institutions of higher education as defined in Texas Education Code, §61.003(15).

(4) ~~(3)~~ Commissioner--The Commissioner of Higher Education.

(5) Contract to serve – a legally-binding agreement between the recipient

and the armed services of the United States, prescribing the terms of the military commitment to which the recipient is obligated to serve.

(6) [(4)] Loan--A Texas Armed Services Scholarship that has become a loan because the conditions of the scholarship agreement have not been met.

(7) [(5)] Recipient--A person who has received a Texas Armed Services Scholarship.

22.165. Award Amount.

(a) The amount of a conditional Texas Armed Services Scholarship in an academic year shall not exceed \$15,000.

(b) A scholarship awarded to a student under this subchapter shall be reduced for an academic year by the amount by which the full amount of the scholarship plus the total amount to be paid to the student for being under contract with one of the branches of the armed services of the United States exceeds the student's total cost of attendance for that academic year at the public or private institution of higher education in which the student is enrolled.

(c) A student may receive a scholarship for four of the six years allowed for graduation.

22.166. Requirements for Appointment by Elected Officials.

(a) Each year the governor and the lieutenant governor may each appoint two students and two alternates, and each state senator and each state representative may appoint one student and one alternate to receive an initial conditional Texas Armed Services Scholarship.

(b) Appointments must be reported to the Board by the deadline established by the Commissioner.

(c) A selected student must meet two of the following four academic criteria at the time of application:

(1) Is on track to graduate high school or graduated with the Distinguished Achievement Program (DAP) or the International Baccalaureate Program (IB);

(2) Has a current high school GPA of 3.0 or higher or graduated with a high school GPA of 3.0 or higher;

(3) Achieved a college readiness score on the SAT or ACT;

(4) Is currently ranked in the top one-third of the prospective high school

graduating class or graduated in the top one-third of the high school graduating class.

(d) A non-freshman student applying for an initial award must meet the requirements set forth in Section 22.169 (1) and (3) of this title (relating to Eligibility for Continued Awards).

(e) If a student appointed to receive a scholarship fails to initially meet eligibility or fails to meet the requirements to initially receive the scholarship, the Board must notify the alternate on file of his or her nomination.

(f) Effective September 1, 2018, if a student appointed to receive a scholarship fails to maintain eligibility or otherwise meet the requirements for a continuing award under Section 22.169 of this title (relating to Eligibility for Continued Awards), beginning with the academic year following the determination, the appointing official may appoint another eligible student to receive any available funds designated for the student who no longer meets the requirements for the scholarship.

22.167. Initial Award Eligibility and Agreement Requirements.

To receive an initial conditional scholarship award through the Texas Armed Services Scholarship Program, a selected student must:

(1) Be enrolled in a Texas public or private institution of higher education, as certified by the institution;

(2) Enroll in and be a member in good standing of a Reserve Officers' Training Corps (ROTC) program or another undergraduate officer commissioning program while enrolled in the institution, as certified by the institution; and

(3) Enter into a written agreement with the Board agreeing to:

(A) Complete four years of ROTC training, or the equivalent of four years of ROTC training if the institution awards ROTC credit for prior service in any branch of the U.S. Armed Services or the Texas Army National Guard, Texas Air National Guard, Texas State Guard, United States Coast Guard, or United States Merchant Marine, or another undergraduate officer commissioning program;

(B) Graduate no later than six years after the date the student first enrolls in a Texas public or private institution of higher education after having received a high school diploma or a General Educational Diploma or its equivalent;

(C) No later than six months after graduation, enter into and provide the Board with verification of:

(i) A four-year commitment to be a member of the Texas

Army National Guard, Texas Air National Guard, Texas State Guard, United States Coast Guard, or United States Merchant Marine; or

(ii) A contract to serve as a commissioned officer in any branch of the armed services of the United States;

(D) Meet the physical examination requirements and all other prescreening requirements of the Texas Army National Guard, Texas Air National Guard, Texas State Guard, United States Coast Guard, or United States Merchant Marine, or the branch of the armed services with which the student enters into a contract; and

(E) Repay the scholarship according to the terms of the promissory note if the student fails to meet the requirements described in Section 22.170 of this title (relating to Conversion of the Scholarship to a Loan).

22.168. Promissory Note.

The Board shall require a person who receives a scholarship to sign a promissory note acknowledging the conditional nature of the scholarship and promising to repay the amount of the scholarship plus applicable interest, late charges, and any collection costs, including attorneys' fees, if the person fails to meet the conditions of the scholarship.

22.169. Eligibility for Continued Awards.

To continue to receive an annual conditional Texas Armed Services Program Scholarship, the student must:

(1) Maintain satisfactory academic progress as determined by the institution of higher education in which the student is enrolled; Effective September 1, 2018, the student must maintain satisfactory academic progress as defined by the Board:

(A) complete at least 24 semester credit hours in his or her most recent academic year; and,

(B) maintain an overall grade point average of at least 2.5 on a four point scale or its equivalent, for all coursework attempted at an institution or private or independent institution.

(2) Continue to be a member of a Reserve Officers' Training Corps (ROTC) program or another undergraduate officer commissioning program; and

(3) Not have earned a baccalaureate degree or a cumulative total of 150 credit hours, including transferred hours, as verified by the recipients' institution of higher education.

22.170. Conversion of the Scholarship to a Loan.

(a) A scholarship will become a loan if the recipient:

(1) Fails to maintain satisfactory academic progress as described in Section 22.169 of this section, or as required by the institution's ROTC or another undergraduate officer commissioning program for continued participation in that program;

(2) Fails to fulfill any of the terms of the Texas Armed Services Scholarship agreement as described in Section 22.167(3); or

(3) Fails to fulfill one of the following:

(A) a four-year commitment to be a member of the Texas Army National Guard, Texas Air National Guard, Texas State Guard, United States Coast Guard, or United States Merchant Marine; or

(B) a contract to serve as a commissioned officer in any branch of the armed services of the United States.

(b) If a scholarship recipient fails to meet any of the conditions for continued eligibility, the recipient:

(1) cannot regain award eligibility in a subsequent academic year;

(2) loses eligibility to receive any future awards; and;

(3) loses eligibility to have his or her existing loans forgiven.

(c) [~~(b)~~] If a scholarship recipient requires a temporary leave of absence from the institution and/or the ROTC or another undergraduate officer commissioning program for personal reasons or to provide service for the Texas Army National Guard, Texas Air National Guard, Texas State Guard, United States Coast Guard, or United States Merchant Marine for fewer than twelve months, the Board may agree to not convert the scholarship to a loan during that time.

(d) [~~(c)~~] If a recipient is required to provide more than twelve months of service in the Texas Army National Guard, Texas Air National Guard, Texas State Guard, United States Coast Guard, or United States Merchant Marine as a result of a national emergency, the Board shall grant that recipient additional time to meet the graduation and service requirements specified in the Texas Armed Services Scholarship agreement.

22.171. Repayment of Loans.

(a) A Texas Armed Services Scholarship is considered a loan on the date the recipient fails to meet the conditions of the scholarship as described in Sections 22.169 and

22.170 of this title; the loan amount must be repaid, plus interest accrued.

(b) The interest rate charged on the Texas Armed Services Loans shall be the same rate charged for a College Access Loan at the time the funds were disbursed. Interest shall begin to accrue on the date the scholarship is converted to a loan.

(c) The total amount of principal, interest, late charges, and any costs of collection that accrue over the life of the loans are to be repaid in installments over a period of not more than 15 years after the date the scholarship becomes a loan.

(d) A recipient shall begin making payments six months after the date the scholarship becomes a loan.

(e) The minimum monthly payment amount required by any repayment plan is \$100, or an amount required to repay the loan within 15 years, whichever is greater.

(f) A charge of 5 percent of the scheduled monthly payment amount or five dollars (\$5), whichever is less, shall be assessed if the past due amount is not received within 20 days of the scheduled due date. These charges shall be collected for late payment of all sums due and payable and shall be taken out of the next payment received by the Board.

(g) In the case of delinquent accounts, the Commissioner may authorize the assessment of charges to cover costs necessary to collect the loan.

(h) An education deferment is available to any recipient whose loan is not in a default status and who provides the Board documentation of enrollment as at least a half-time student.

(i) The Commissioner may grant periods of forbearance in the form of postponed or reduced payments for unusual financial hardship if the Board receives a written request stating the circumstances that merit such consideration.

22.172. Enforcement of Collection.

(a) When a scholarship recipient fails to make as many as five monthly payments due in accordance with the established repayment schedule for a scholarship which has become a loan, the entire unpaid balance shall become due and payable immediately.

(b) When as many as six payments have been missed, the loan(s) will be considered to be in default, and the Office of the Attorney General, at the request of the Commissioner, may file suit for the unpaid balance plus court costs and attorneys' fees.

(c) The institution of higher education may not release an official certified copy of the official records of a scholarship recipient, nor may any recipient re-register for classes at the institution if Board reports made available to the institution state that the loan is in a delinquent status. The Commissioner must approve exceptions to this requirement in advance of the institution's release of an official certified copy of the records or of the

recipient's re-registration.

(d) The Board shall notify the Comptroller of Public Accounts when a recipient's loan has become 90 days or more past due, resulting in the non-issuance of certain state warrants.

22.173. Exemption and Cancellation.

(a) The recipient shall be exempt from the requirement to repay the Texas Armed Services loan if the person is unable to meet the obligations of the agreement solely as a result of physical inability and provides a physician's certification and/or other appropriate documentation to the satisfaction of the Board.

(b) The Board shall cancel a recipient's loan upon the death of the recipient unless the debt was reduced to judgment before the death occurred.

(c) The Board may cancel a recipient's service and/or repayment obligation if funding for the Texas Armed Services Scholarship program is discontinued while the recipient continues to meet eligibility requirements.